

Consumer Prices and Inflation – October 2007

Consumer Price Stats at a Glance

Percent Change 12 Months Ending:	CPI - U	CPI-W	CPI-W, All Items Less Medical Care
October 2003	1.9%	1.9%	1.8%
October 2004	3.2%	3.3%	3.1%
October 2005	4.7%	4.6%	4.7%
October 2006	0.9%	0.9%	0.7%
October 2007	3.7%	3.7%	3.7%
2008 Forecast	2.3%		

Percent changes in consumer prices above are drawn from non-seasonally adjusted data. This is the data used to calculate changes in COLA.

CPI-U is the Consumer Price Index for All Urban Consumers. It is based on a typical "market basket" of goods consumed by urban consumers, including salaried employees, business owners and retirees as well as wage earners.

CPI-W is the Consumer Price Index for All Urban Wage and Clerical Workers. It is based on a typical "market basket" of goods consumed by urban households that receive most of their income from clerical or hourly wage occupations.

Seasonally adjusted prices rose moderately in October, led by increases in food, medical care and energy. During the first ten months of 2007, prices rose at an annual rate of 3.6%, compared to an increase of 2.5% for all of 2006. The "core" rate of inflation, which excludes energy and food, is up at an annual rate of just 2.3% in the first ten months of 2007, down from 2.6% for all of 2006.

The volatility of the CPI has increased recently, sometimes causing cost-of-living adjustments (COLA) to be negative in a period when prices appear to be rising. Most adjustments are based on a three-month average of the CPI, with a one-month lag in reporting the data. Price decreases in prior months can lead to a negative COLA that takes effect up to four or even five months after prices have started to rise.

The Bureau of Labor Stats report can be found at:

<http://www.bls.gov/news.release/cpi.toc.htm>

Next release: the November Consumer Price Index will be released on December 14.